

Hillow sells medical waste disposal firm for \$18 million

By Christopher Tritto

Regis Hillow, founder, owner and president of one of St. Louis' largest medical waste disposal businesses, sold his company to North America's largest medical waste management company in a deal reportedly worth about \$18 million.

Stericycle Inc., headquartered in suburban Chicago, acquired Hillow's Medical Systems Inc. on April 1 after approaching Hillow a year earlier. Stericycle confirmed its purchase in its quarterly report filed Aug. 9 with the Securities and Exchange Commission.

Hillow declined to comment on the transaction.

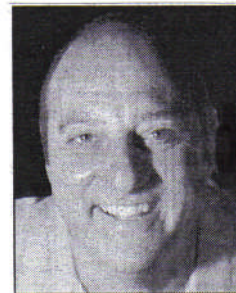
Clayton Capital Partners were the Investment Bankers that represented Medical Systems, Inc. and Hillow. **Kevin Short**, managing director at **Clayton Capital**, declined to comment on the details.

But sources familiar with the buy-out said Hillow sold Medical Systems for about \$18 million, about five times its \$3.5 million in estimated annual revenue and about 12 times its earnings before taxes. Stericycle proposed a similar acquisition a few years ago for about a third of the current price, but the deal fell through when Stericycle walked away, sources said.

Dave Mishler, president and chief executive of The

Business Bank of St. Louis, and John Gatewood, president of The Gatewood Group in Clayton, said they didn't know the sale price, but the reported price was at the higher end of their estimates.

"We valued the company between \$10 million and \$20 million, but I wouldn't be surprised if (Hillow) sold for at least \$15 million," Gatewood said.



Hillow was an original shareholders, organizer and board member of The Business Bank of St. Louis when it was formed in November 2001. He and his family invested \$205,000 that year. Hillow recently joined Gatewood as a member of the board of Boulevard Bancshares Inc., a holding company that formed WestBridge Bank in March under the leadership of Scott Schmid, a former executive with The PrivateBank.

Hillow founded his company in February 1991 under the original name Medical Disposal Systems

of Missouri Inc. Hillow is Medical Systems' registered agent and only listed officer and board member, according to business registration reports filed annually with the Missouri Secretary of State's office.

Medical Systems employed about 40 people. It is unclear whether they have been retained or laid off by Stericycle. The phone number for Medical Systems' office at 1601 Sublette Ave. near St. Louis' Hill neighborhood is no longer in service.

Stericycle is the largest medical waste company in North America with about 317,500 customers throughout the United States, Puerto Rico, Canada, Mexico and the United Kingdom.

About 310,000 of its customers are small medical waste generators such as outpatient clinics, medical and dental offices and long-term care facilities. Hospitals, blood banks and pharmaceutical manufacturers that produce larger amounts of medical waste make up Stericycle's other 7,500 customers, according to the company's annual report.

The company reported net income of about \$78.2 million on revenue of more than \$516.2 million in 2004. It controls about 14 percent of the \$3 billion U.S. medical waste market.

Jim O'Brien, Stericycle's head of mergers and acquisitions, and Richard Kogler, chief operating officer, did not respond to requests for more information on the Medical Systems purchase. But the buyout appears to fit with Stericycle's overall growth strategy.

During the six months ended June 30, Stericycle and its subsidiaries completed 11 acquisitions with a combined purchase price of about \$59 million, according to Stericycle's most recent quarterly report. Stericycle made 78 acquisitions from 1992 through 2004.

"There are economies of scale, and being big helps lower the cost to the customer," said Matthew Litfin, an analyst with William Blair & Co. in Chicago. "Owning treatment plants and keeping them utilized can only happen when a hauler meets a certain size. Stericycle certainly fits that description."